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To: Ms. Anna Tibaijuka, Executive Director
United Nations Human Settlements Programme (UN-Habitat)

Mr. Rajendra Bhandari, Acting Programme Director
UN-Habitat, Iraq

From: Uwe Hain, Officer-in-Charge
Internal Audit Division I, OIOS

A handwritten signature in dark ink, appearing to read 'Uwe Hain', written over the printed name.

Subject: **OIOS Audit Number AF2003/23/1: Audit of UN-Habitat SRP Liquidation Planning**

1. OIOS conducted an audit of liquidation planning by the UN-Habitat Settlement Rehabilitation Programme (SRP) in Northern Iraq. Whilst the SRP is in the process of preparing an exit strategy plan to terminate its activities in compliance with SCR 1483 by 21 November 2003, as of August 2003, it had not yet finalized the plan since it was seeking to clarify the modalities for the effective closure of SRP and hand-over to the Coalition Provisional Authority (CPA). Also, as per the Secretary General's report (S/2003/640 dated 11 June 2003), a limited number of administrative personnel would remain in Iraq after 21 November 2003 to complete the necessary administrative tasks and to close down at the field level by the end of December 2003. At UN-Habitat Headquarters in Nairobi, administrative activities would be completed by 31 March 2004. Subsequent to the completion of the audit fieldwork, most SRP personnel in Northern Iraq have been evacuated to Amman, Jordan. In OIOS view, this development will require the reassessment of liquidation planning to date, as it presents a significant risk that the liquidation timelines may not be met.

Audit objectives and scope

2. The objectives of the audit were to:

- Assess the efficiency and effectiveness of the SRP's liquidation planning process; and
- Ensure that all relevant UN regulations and rules are adhered to.

3. The audit scope covered the period from the effective date of SCR 1483 (22 May 2003) through August 2003, and involved interviewing staff, reviewing available documentation, and analyzing data on a sample basis.

Responsibility for the overall liquidation process

4. The exit strategy plan dated 18 June 2003 highlights programme activities including milestone dates and the official responsible for the tasks. UN-Habitat Headquarters has clarified that the Acting Programme Director has ultimate responsibility for the overall SRP liquidation process. However, the Acting Programme Director is based in Baghdad, and only occasionally visits Northern Iraq - the last such visit having been conducted from 8 to 11 August 2003. In his absence, the Acting Coordinator undertakes his functions, including overseeing that all ensuing liquidation activities are carried out and progress reporting is monitored. Furthermore, there is no direct link with headquarters' personnel who are responsible for the liquidation plan at that level. This requires clarification.

Recommendation 1

UN-Habitat Headquarters should document the assignment of responsibilities for the overall SRP liquidation process to the Acting Programme Director to ensure that he is accountable and implements the liquidation activities cost effectively and in a timely manner (AF2003/23/1/001).

Liquidation policy guidance

5. UN-Habitat has provided little or no policy guidance to the SRP to assist in the preparation of an exit strategy to implement the SCR 1483 and the SG's report S/2003/725 requiring that the operations of the SRP be terminated by 21 November 2003 in the most cost effective manner. We noted that in August 2003, UNOHCI circulated draft guidance for handing over of the SRP activities to the CPA. However, the guidance is yet to be finalized and there has been no other guidance from UN-Habitat Headquarters. The lack of adequate guidance puts SRP in Northern Iraq at risk of not being able to finalize the liquidation plan.

Recommendation 2

UN-Habitat Headquarters in consultation with UNOHCI should provide adequate policy guidance to the SRP to assist it in carrying out liquidation activities by the deadline of 21 November 2003 (AF2003/23/1/002).

Detailed liquidation plan

6. UN-Habitat conducted a workshop in Amman, Jordan in May 2003 with one of the objectives being to prepare an exit strategy. It has also carried out several subsequent meetings with staff members in Iraq to finalize the liquidation strategy document. Moreover, a formal exit strategy plan has not been finalized, partly due to delays caused by the CPA and Local Authorities of the three Governorates in providing instruments and working out modalities for handover.

7. We noted that some liquidation activities have been carried out with a view to finalize the liquidation plan as follows:

- UN-Habitat Headquarters sent a team of three staff members from Nairobi to assist in developing the strategy in August 2003.
- A detailed budget of approximately \$8 million for the liquidation process was prepared and approved by the UN Controller.
- Target milestone dates have been identified for various activities including handing over of projects, assets, completion of procurement actions, and other related liquidation activities. These milestone targets have to be reviewed periodically to ensure that they are current.

8. However, planning for other liquidation activities and preparation of an overall liquidation schedule has not been undertaken. In OIOS' view, UN-Habitat SRP Northern Iraq should finalize the development of the detailed liquidation plan, which should be approved by UN-Habitat Headquarters in liaison with UNOHCI. It should incorporate all the essential liquidation activities to facilitate implementation by the deadline of 21 November 2003 including:

- (a) A detailed scaling-down plan and arrangement for travel of personnel;
- (b) A detailed strategy for termination of procurement activities; phase-out of financial related matters such as accounts receivable and payable, return of rented premises; withdrawal of vehicles; termination of office automation processes; arrangements for archiving SRP documentation; and all other administrative type activities.
- (c) Procedures for phasing out of contracts and support services; and
- (d) A detailed timetable for the phased withdrawal of equipment.

Recommendations 3 to 6

UN-Habitat SRP should complete the development of a detailed liquidation plan which should incorporate the following elements:

- (i) Identify and establish a comprehensive list of all activities associated with the liquidation process with corresponding areas of responsibility (AF2003/23/1/003);
- (ii) Analyze the scope and magnitude of each essential liquidation task, determine relationships between the various identified tasks, and highlight the critical path and other essential activities to be carried out (AF2003/23/1/004);
- (iii) Identify other administrative closure activities including termination of procurement activities, phase-out of financial related matters, turn over of rented premises to owners, withdrawal of vehicles, termination office automation processes, and archiving documentation (AF2003/23/1/005); and
- (iv) Incorporate a detailed timetable for all liquidation activities including the phased withdrawal of personnel, equipment, handover of projects, and other essential closure activities. It should include an orderly checkout system for both international and national staff, and should indicate the reductions in staffing by section/unit (AF2003/23/1/006).

Organization of SRP liquidation tasks

9. UN-Habitat SRP Northern Iraq has not implemented the necessary management structure to facilitate the liquidation process. SRP management envisaged formation of a task force through the Amman workshop and various meetings undertaken by the Acting Programme Director in Erbil, but the task force has not been formalized. The failure to formalize a liquidation task force team places the SRP at risk of not being able to carry out the liquidation process in a cost effective and timely manner.

Recommendation 7

The Acting Programme Director of SRP should formally designate a Liquidation Task Force Team consisting of senior SRP officials in Northern Iraq including the Acting Coordinator, Chief Administrative Officer (CAO) and Finance Officer, to be responsible for ensuring implementation of the Liquidation Plan. The team should assign responsibilities to various personnel for each task, follow-up to see that tasks have been appropriately acted

on, and assess progress towards meeting established milestones (AF2003/23/1/007).

Assessment of SRP liquidation needs

10. UN-Habitat Headquarters sent a team from Nairobi consisting of the Chief of Support Services, a legal adviser and a Programme Management Officer in August 2003 to assess and determine the liquidation needs of the SRP. Through various meetings held with staff members, UNOHCI, CPA and local authorities, the team inter alia identified the need for the SRP to have expertise in the area of legal matters, and to establish a mechanism to dispose of assets and work out modalities for handing over SRP projects to the CPA.

Recommendation 8

UN-Habitat Headquarters in consultation with UNOHCI should ensure that SRP Northern Iraq is supported and provided with the necessary resources to carry out the SRP liquidation. These resources should include personnel in areas such as legal matters, support services to establish a Local Property Survey Board (LPSB) and a Claims Review Bureau (CRB). Furthermore, these resources should be consolidated into the Liquidation Plan (AF2003/23/1/008).

Administrative staff members to remain in Iraq after 21 November 2003

11. A staff list indicated that 5 international and 43 national staff would remain in Iraq to close down the SRP activities post 21 November 2003. However, the SRP had not conducted a needs assessment of the staff expertise/specialties required for the liquidation of SRP activities post 21 November 2003. In addition the CAO was not consulted in identifying the five international staff members that included: the Acting Programme Director, Acting Coordinator, Finance Officer, Acting Field Coordinator and Logistical officer. Upon inquiry, the CAO was added to the list for a total of 6 international staff. Headquarters clarified that the CAO would remain in Iraq as part of the team to close SRP activities, but would be funded from the UN-Habitat regular budget. Although not originally budgeted for, UN-Habitat has stated that it reserves the right to determine the strength of the team needed to successfully conclude the liquidation process, given the slow and inconsistent pace with which the CPA is handling the Oil-for-Food Programme handover and liquidation process.

12. Concerning the list of 43 national staff, we noted that the list includes staff from all three field offices, the core team and the Baghdad office. It is unclear, however, why staff from the Baghdad office should be retained, particularly in view of the recent security development that has required relocation of international staff from Baghdad. Also, the list does not indicate the administrative tasks each staff member would be undertaking. The SRP should conduct a needs assessment to ensure that the SRP has the appropriate administrative and support staff needed for the liquidation tasks to be conducted after 21 November 2003. Key to this is the CAO, in

conjunction with the Mission Liquidation Team, which should prepare an organizational structure for the whole liquidation team (including support elements), and job-descriptions for the team members to ensure that staff from the appropriate administrative and support areas will indeed be retained for the liquidation administrative tasks beyond

Recommendation 9

UN-Habitat SRP Northern Iraq in consultation with Headquarters should identify the appropriate expertise and skills mix required for both international and national staff based on a needs assessment in consultation with other sections/units in Northern Iraq to ensure the cost effective implementation of liquidation activities post 21 November in accordance with SCR 1483. (AF2003/23/1/009).

cc: Ms. Dorothee VonBrentano, UN-Habitat Headquarters
Mr. Henk Verbeek, UN-Habitat Headquarters
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